

Message Text

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ACTION ARA-10

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 255

INFO AMCONSUL RIO DE JANEIRO

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E. O. 11652: N/A

TAGS: EFIN, BR

SUBJECT: TRADE DEFICIT IN FIRST HALF - 1975

REF: BRASILIA 5029

1. BASED ON PRELIMINARY DATA REVEALED BY FINANCE MINISTER SIMONSEN, THE TRADE DEFICIT DURING THE FIRST HALF OF 1975 AMOUNTED TO \$1.7 BILLION, WITH EXPORTS REACHING \$4.3 BILLION AND IMPORTS \$6.0 BILLION. DURING THE FIRST HALF OF 1974, THE TRADE DEFICIT WAS \$2.6 BILLION, WITH EXPORTS AMOUNTING TO \$3.0 BILLION AND IMPORTS \$5.6 BILLION. THUS, EXPORTS BETWEEN THE FIRST HALF OF 1974 AND 1975 WENT UP BY ABOUT 40 PERCENT WHILE IMPORTS ONLY INCREASED BY 7 PERCENT.

2. THE MINISTER'S FIGURES FOR THE FIRST HALF INDICATE THAT EXPORTS IN JUNE CAME TO \$823 MILLION AND IMPORTS JUST A SHADE UNDER \$1.0 BILLION.

3. COMMENT: FINANCE MINISTER SIMONSEN REPORTEDLY BELIEVES THAT

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THE EXPORT RESULTS FOR THE FIRST HALF PROVIDE

REASON FOR OPTIMISM ABOUT REACHING THE \$10 BILLION OFFICIAL EXPORT TARGET FOR 1975. THIS PROJECTION IMPLIES AN INCREASE OF 25 PERCENT IN EXPORTS ON A YEAR-TO-YEAR BASIS. HENCE, THE 40 PERCENT GROWTH REALIZED THROUGH JUNE WOULD SEEM TO BE WELL IN LINE WITH EXPECTATIONS. AN ANALYSIS OF THE DATA INDICATES, HOWEVER, THAT THERE WERE SPECIAL FACTORS OPERATING IN THE FIRST HALF WHICH MAY NOT NECESSARILY CONTINUE INTO THE SECOND HALF. THE 40 PERCENT GROWTH DURING JANUARY/JUNE WAS MADE POSSIBLE BY AN UNUSUALLY GOOD PERFORMANCE OF SUGAR AND SOYBEANS. ACCORDING TO DATA THROUGH MAY, THE LATEST AVAILABLE DETAILED STATISTICS ON EXPORTS, SUGAR REGISTERED AN INCREASE OF \$445 MILLION (TO \$649 MILLION), AND SOYBEANS ROSE BY \$249 MILLION (TO \$337 MILLION) OVER THE SAME PERIOD OF 1974. IN THE CASE OF SUGAR, THE RISE WAS ATTRIBUTABLE MOSTLY TO HIGHER PRICES, WHICH WERE ABOUT 200 PERCENT OVER THE SAME PERIOD OF LAST YEAR. FOR SOYBEANS (INCLUDING CAKE AND BRAN), THE INCREASE WAS DUE TO A CONSIDERABLE RISE IN VOLUME (PRICES WERE ACTUALLY LOWER), WHICH SEEMS TO INDICATE AN EARLIER THAN USUAL START IN THE SOYBEAN EXPORT SEASON THIS YEAR. WHETHER THE HOPED-FOR \$10 BILLION TARGET IS IN FACT REACHED DEPENDS, THEREFORE, IN CONSIDERABLE MEASURE ON THE BEHAVIOR OF SUGAR PRICES AND SOYBEAN EARNINGS IN THE SECOND HALF. (COFFEE BEAN EARNINGS DROPPED TO \$359 MILLION FROM \$412 MILLION BETWEEN JANUARY/MAY 1974 AND JANUARY/MAY 1975). SIMONSEN ALSO EXPECTS THAT IMPORTS CAN BE KEPT TO THE \$12.5 BILLION LEVEL OF 1974 AND THAT THE TRADE BALANCE DEFICIT TARGET OF \$2.5 BILLION (\$4.5 BILLION IN 1974) IS WITHIN REACH.

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